

New Zealand budget: Cuts to basic services, billions for the military

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On Thursday, Finance Minister Bill English announced New Zealand's eighth consecutive austerity budget.

Newspaper editorials described the budget as “boring” and “steady as she goes.” In fact it continues the cuts to basic services imposed since the 2008 global financial crash, which are designed to make the working class pay for the economic crisis.

There is a thin \$NZ719 million (\$US484 million) surplus forecast for the financial year ending June, achieved by starving health, welfare and education of funds. The only significant funding increases are aimed at strengthening the police state and spying apparatus, and preparing the military for future wars.

Treasury released growth forecasts of 2.8 percent on average over the next five years. Such forecasts are wildly optimistic. Economic growth slowed from 4.1 percent in 2014 to 2.3 percent in 2015 as New Zealand was severely impacted by the economic slowdown, particularly in China and Australia, the country's two main trading partners.

Global prices for New Zealand's main export, dairy products, have plummeted 56 percent since their peak in February 2014. Dairy farmers have \$30 billion in debt between them, which is more than \$5,000 per cow. The Reserve Bank has warned that the proportion of non-performing loans could rise to over 40 percent.

The ruling elite has responded to the deteriorating economy by fuelling unstable speculative bubbles, particularly in the housing market, and gutting public spending.

English trumpeted token measures “to support vulnerable New Zealanders,” notably \$200 million over four years to fund 750 more “social housing” places for low-income families. This is grossly inadequate given there are 4,500 on the public housing waiting list and at

least 34,000 people suffering from severe housing deprivation.

The government and the opposition parties have not proposed any measures to alleviate the housing affordability crisis, which is fuelled by rampant property speculation. It has become virtually impossible for the majority of workers to afford a house in the biggest city, Auckland.

There is no increase to welfare or the minimum wage. In recent years there have been major cuts to welfare, including pushing tens of thousands of single parents off benefits.

The budget will exacerbate the crisis in the public health sector, caused by decades of underfunding by National and Labour-led governments, combined with population growth. According to the Association of Salaried Medical Specialists, in the current budget there is “an overall operational funding shortfall of \$304 million, including a funding shortfall for district health boards of approximately \$131 million.”

A series of recent reports show that tens of thousands of people are being denied vital surgical operations. Hospital emergency departments and mental health services are under severe pressure and failing to cope with demand (see: “New Zealand's healthcare worsens”).

Operational funding for schools has been frozen, resulting in a de facto cut that will increase the burden on staff and families and deepen the divide between schools in rich and poor neighbourhoods. Recent statistics show that between 2014 and 2015, overall schools funding dropped by \$150 per student. A pittance of extra funding—\$12.3 million—has been announced for the education needs of children deemed “at risk” due to poverty. There are an estimated 300,000 children living in poverty.

The budget provides money for seven new for-profit charter schools, in addition to the eight existing ones. Charter schools, generally located in oppressed areas, are not required to teach the curriculum and have been used overseas to attack teachers' pay and conditions.

According to the Early Childhood Council, "accumulated cuts, over the past five years, [have] now reached \$90,000 a year" for an average kindergarten or preschool with 50 children.

Apart from a small amount of funding for scientific research programs, money for universities and polytechnics remains frozen. To compensate, institutions will continue to raise fees, increasing student debt, which currently stands at \$15 billion. Previous budgets have capped the amount students are able to borrow for study and restricted eligibility for living allowances to smaller numbers of students. The government has already arrested at least one person at the border for an outstanding student debt.

According to student associations, the total amount allocated for allowances has fallen from \$620 million in 2011, to a forecast of just \$496 million in 2016. The weekly allowance has failed to keep pace with inflation, rising by a mere \$5 in the past five years to \$175 a week, barely enough to cover the average cost of renting a room.

To address the inevitable increase in social misery and crime as a byproduct of the austerity measures, there is an extra \$300 million for the police force over the next four years. The Corrections Department has been allocated \$355 million, with the prison population forecast to reach 9800 by the end of the year (up from 8,641 at the end of 2014).

The military and intelligence agencies were described by the *New Zealand Herald* as "big winners" from the budget. The Defence Force will receive \$300.9 million over four years in new operating funding. This is in addition to \$11 billion that has been foreshadowed to buy military hardware over the next decade.

The upcoming Defence White Paper will provide further details on how this will be used to further integrate the operations of New Zealand forces and their main allies, Australia and the US. Like the Australian White Paper released earlier this year, it will strengthen New Zealand's commitment to Washington's aggressive military encirclement and preparations for war against China.

The spy agencies will get an extra \$178.7 million over four years, including an immediate 25 percent increase for the domestic Security Intelligence Service (SIS) next year. The government declared that this was needed to improve "cyber security" and counter "risks posed by extremist groups such as ISIL."

The supposed threat of terrorism is a pretext to strengthen the agencies' abilities to suppress opposition within New Zealand to austerity and the drive towards war. A recent review recommended the effective merger of the SIS and the external spy agency, the Government Communications Security Bureau (GCSB), allowing both to carry out virtually unrestricted surveillance on New Zealand citizens and residents.

The funding will also assist the GCSB's activities as a member of the US-led Five Eyes alliance. Edward Snowden revealed last year that the agency spies on China and other countries in Asia and shares the information with the US National Security Agency.

None of the opposition parties have any fundamental differences with the government's agenda of austerity and militarism. The Labour Party and the right-wing New Zealand First Party have called for greater spending on the armed forces, particularly the navy. Labour also denounced the new funding for the police as inadequate.

While criticising the government's failure to solve the housing crisis, Labour and the Greens have proposed only a token increase of 450 state houses, which would do nothing to house the tens of thousands of people in need. They have followed the lead of the anti-Asian NZ First in whipping up xenophobia by scapegoating immigrants for the housing shortage and calling for a ban on foreign buyers.



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